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AUTHOR Crampton, Faith E.
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ABSTRACT

This paper examines the concepts of adequacy and stability as found in educational finance and Oregon reform efforts and legislation, with particular attention to analysis of the adequacy and stability of funding for safety net districts. The first part examines definitions of adequacy and stability from the perspectives of (1) educational finance researchers in recent literature, and (2) Oregon policymakers, as manifested in school finance reform reports and legislation. The second part synthesizes the various perspectives on adequacy and stability and proposes a hierarchy of educational goals and appropriate funding mechanisms for consideration by policymakers. An extensive bibliography is included, and a summary of the report of the Governor's Commission on School Funding Reform is appended, along with the 1989-91 targeted taxpayer equity program. (TE)

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ADEQUACY AND STABILITY IN OREGON SCHOOL FINANCE

by

Faith E. Crampton, Assistant Professor
Division of Educational Policy and Management
College of Education, University of Oregon
Eugene, Oregon 97403-1215

Telephone: (503) 686-5077

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Adequacy and Stability in Oregon School Finance

Introduction

Whether discussing adequacy and stability from the point of view of researchers or policymakers, there seems to be little consensus on definition. With regard to the concept of stability which has become a buzzword for Oregon educators and policymakers, school finance research sheds little light while the disciplines of economics and public finance view it as a macroeconomic policy issue. The first part of this paper examines definitions of adequacy and stability from the perspectives of education finance researchers in recent literature and Oregon policymakers as manifested in school finance reform reports and legislation. The second proceeds to synthesize the various perspectives on adequacy and stability and to propose a hierarchy of educational goals and appropriate funding mechanisms for consideration by policymakers.

Definitions of Adequacy and Stability from Education Finance

The origin of the term adequacy in education finance remains unclear although in the early 1970's it was found in sources, such as the Report of the [Illinois] Task Force of the Governor's Commission on Schools (1972) and in the

landmark court case of San Antonio v.Rodriguez (1973). In recent years, adequacy has enjoyed a renaissance in researcher interest, including but not limited to a special edition of the Journal of Education Finance (See Wise, 1983; Carnoy, 1983); a monograph issued by the Illinois Center for the Study of School Finance (Ward, 1987); and a chapter in a review of the status of school finance equity in the 1980's prepared for the United States Department of Education (Barro, 1987).

Inspired by the words of Ellwood Cubberley, Ward defined adequacy as a, "...generous system of free public schools." (Ward, 1987, p.1; Cubberley, 1919, p.495) While the title of the monograph speaks to adequacy of school funding, Ward also addressed adequate education concerns. Both are captured in his reference to a definition of adequacy developed by the 1972 Task Force of the Governor's Commission on Schools, as follows: "...The system should distribute sufficient funds to provide a reasonable level of education for all children." (p.7) Ward concluded with the following definition: "Adequacy refers to the general level of funding and its sufficiency to meet societal expectations of schools." (p.13)

Like beauty, adequacy is, "in the eye of several beholders," according to Wise (1983), and debate centers not only on the definition but on the framers of the definition. Wise linked educational and fiscal adequacy effectively

observing that an adequate education is "cost-driven." (p.314) While he noted adequacy has been defined as a minimum or basic education with a minimum level of funding, i.e., the foundation program, his definition crossed over into the notions of efficiency and equity, stating, "...funds may be inadequate or they may be inefficiently or ineffectively used." (p.313) Wise visualized adequacy in terms of equality of educational opportunity, asserting that historically schools have not served well a portion of the population, i.e., the economically disadvantaged. Hence educational adequacy may be translated into equality of access, and fiscal adequacy equaled the amount of resources necessary to provide equity.

Recognizing the complexity of the term adequacy, Carnoy (1983) proposed six views, as follows:

1) Adequacy as a purely educational goal;
2) Adequacy as improved internal efficiency;
3) Adequacy as improved internal efficiency for equity and equality;
4) Adequacy as external efficiency: social functioning requirements;
5) Adequacy as external efficiency: the job market
6) Adequacy as external efficiency: equity and equality considerations; (p.297)

Adequacy as a purely educational goals referred to student acquisition of minimum, basic skills defined in a curricular sense. Secondly, improved internal efficiency consisted of the best possible use of available resources. The third view, improved internal efficiency for equity and equality may be translated as equalization of outcomes in the

educational process. Social functioning requirements were defined as the minimum educational requirements to insure students will function adequately in society. The fifth view, external efficiency: the job market, referred to the ability of graduates to obtain meaningful employment while the sixth view expanded on the job market concept to include the success rates of different groups of students, such as minorities, women, and the economically disadvantaged.

Barro included adequacy as part of a report to the U.S. Department of Education on the status of school finance equity in the 1980's. (Barro, 1987) His rationale for inclusion was the natural intertwining of issues like equity and adequacy in the policy arena. According to Barro, even minimum levels of fiscal support, such as the foundation level plan, operate under some notion of equity. An example given was the foundation funding formula's guarantee to every district of the same basic/minimum level of funding.

The concept of stability in education finance lacks the development found with adequacy although certainly stability of funding for elementary and secondary schools is an important concern. Looking to the disciplines of economics and public finance, stability or stabilization policy represents a critical macroeconomic policy issue for the federal government. (Musgrave and Musgrave, 1984; Samuelson, 1987) Stabilization policy attempts to smooth the peaks and valleys of the economy through monitoring and moderating,

where necessary, tax and expenditure policies for levels of employment, rate of inflation, and economic growth. Periodic budget deficits or surpluses with corresponding borrowing and debt repayment may be required to accomplish stabilization policy goals.

What role do state and local governments play in economic stability? In general, local governments are ineffective in creating or implementing stabilization policy for obvious reasons--they have little control over events outside their jurisdiction that may have destabilizing effects on the local economy. States can have an impact on economic stabilization in terms of tax and expenditure policy and economic development. However state governments function largely in a reactive mode to federal policies, serving as an economic buffer for local government entities, such as school districts. In an economic recession a state may attempt to protect local services through fiscal policies, for example, with a "rainy day" fund to bolster sagging state tax revenues, preventing sharp drops in grants to local governments. Arguments from local government units that states have primary responsibility for their economic stability, including stable funding of schools, are unrealistic. School districts will naturally share in the good and not-so-good economic fortunes of the state and nation.

Definitions from Oregon School Finance Reform Efforts

While references to stability of educational funding may be found as early as 1969 in the report of the governor-appointed Business Task Force on Education, references to adequacy are of a more recent nature. (Public School Survey and Recommendations, 1969) This section analyzes the use of the terms adequacy and stability in past and current reform efforts.

In a report to the Oregon Department of Education, Rose (1987) reviewed twenty years of school finance task force reports and legislative reform packages, drawing the conclusion that if enacted, each would have contributed to the equity, adequacy, and stability of the state's school funding system. However, no clear conceptual or operation definitions of adequacy or stability were offered in the course of the analysis.

According to the report, 1976 represented a watershed year for Oregon school finance where the substance of reform efforts turned from equity to adequacy and stability. Since that year, she stated:

> The dilemma facing policymakers has been one of attempting to adequately fund schools in the face of a declining, economy, reduced revenues, increasing school costs, and taxpayer resistance. (pp.15-16)

Reform strategies in the ensuing years have focused on preventing school closures. Between the 1976/77 and 1986/87 academic years, there have been twelve school closures in eleven districts, with one district having closed twice in

that time period. Closures ranged in length from seven to twenty-five days.

A guaranteed yield formula, similar to one proposed in 1975 by Committee on Equal Educational Opportunity would foster funding stability according to Rose. (Pierce et al., 1975) No explanation was given as to how a guaranteed yield funding plan would improve stability.

The Business Task force on Education proposed an eight point program to establish fiscal stability for Oregon schools:

> 1) Establish a two-part funding system, with the first part supporting basic education, and the second supporting special programs;
> 2) Increase the state share of the Basic School Support Fund;
> 3) Explore ways to fund capital construction of school facilities to facilitate consolidation of districts and replacement of outdated structures;
> 4) Provide for use of the state's credit rating for local school district bond issues in order to secure lower interest rates;
> 5) Channel all funds for education except the local property tax revenues through the state department of education, eliminating allocation through education service districts;
> 6) Designate the county treasurer as trustee and investment officer for idle school district funds;
> 7) Petition Congress to authorize block grants for education;
> 8) Establish the position of Federal Funds Coordinator within the state department of education;

While some of the proposals obviously spoke to more efficient use of school district resources and more efficient state level administration of funds, how each contributes to stability of school funding was not clarified in the report.

While past reform efforts in Oregon have flirted with the concepts of adequacy and stability, current efforts have embraced them wholeheartedly. Two examples are discussed here, the first is comprised of two reports of the SCHOOLS project undertaken by the Oregon League of Women Voters: Oregon School Finance (1987); and Solving the Dilemma (1988). The second is the Report of the Governor's Commission on School Funding Reform, Small Steps to a Distant Goal (1988).

The League publication, Oregon School Finance was designed to educate Oregon voters and posed definitions of adequacy and stability as questions:

> Adequacy: Does the tax provide enough revenue to meet the needs it is designed to?
> Stability: Can the tax be depended on so that the amount of revenue raised can be accurately estimated? (p.2)

The definition of adequacy falls within the categorization of adequacy as sufficiency; however, implicit is the necessity of defining adequate for what? Stability is equated with dependability which lends itself to at least two definitions: 1) stability as static, i.e., the same amount of tax revenue each year; 2) stability as elasticity, where the rise and fall of tax revenues is easily predictable enabling school districts to plan expenditures. Ironically, the local property tax, a focus of debate, is the most stable of taxes when stability is defined as static. The League asserts that the ability of local voters to yearly defeat property tax levies that has created fiscal instability for schools.

After soliciting citizen feedback through town meetings held throughout the state, the League defined the central problems with the current funding system and presented options. The report listed five major problems:

1) Too heavy reliance on the property tax;
2) Too little state support;
3) Inequities in the cost of schools to taxpayers;
4) Inequities in resources available to districts;
5) Unstable and uncertain source of revenue. (p.1)

"Too little state support" implies fiscal inadequacy although later in the report the League acknowledges that adequacy of resources does not appear to be a statewide problem, given the level of resources dedicated to schools, e.g., two-thirds of all property tax revenues and one-fourth of the state general fund. However, in the League's opinion, instability is evident in safety net districts. (Adequacy and stability of funding for safety net districts will be discussed in depth in a later section on legislation.) The need for all districts to have up-to-date tax bases is emphasized in the report as currently some districts have outdated tax bases or none at all.

In order to improve the adequacy of the funding system, the League proposes increasing state support through new revenue sources, both major and minor. Major sources include addition of a retail sales tax, a business gross receipts tax, a statewide property tax, or an increase in personal and corporate income tax rates. Minor sources include a real

estate transfer tax, a value added tax, or increases in the fee for vehicle registration or taxes on alcohol and tobacco products.

Adequacy and stability play central roles in the report of Governor's Commission on School Funding Reform, evidenced by the five charges they were given at the outset:

> 1) Increase the stability of funding for elementary/secondary schools;
> 2) Decrease the reliance on property tax for funding elementary/secondary schools;
> 3) Develop greater equality for Oregon students and taxpayers;
> 4) Develop role of the state in funding of high cost students;
> 5) Develop citizens' school finance educational material. (p.16)

Recommendations from the Commission were divided into short-term (1989-1991) and long-term (1991- beyond) with the short-term package priced at $318.2 million for the biennium. Table 1 lists the individual recommendations and cost.

Coupled with a property tax offset for each district is passage of a constitutional amendment establishing current

Table 1

Short-Term School Funding Recommendations

Recommendation	Dollars in Millions
Property Tax Offsets for All Districts	$ 150.0
Increases in Basic Support	105.7
Targeted Taxpayer Equity Program	30.0
State Aid for Special Education	30.0
Statewide testing and School Standardization Visits	2.5
Total	$ 318.2

tax bases for all school districts while the Targeted Taxpayer Equity Program would assist high tax rate school districts, regardless of wealth. Increases in basic support are indexed to increases in the Consumer Price Index. Thirty million dollars would defray the cost of educating students with high cost/low incidence handicaps. Statewide testing would be conducted at grade levels 3,5, 8, and 11 while the six year cycle of standardization visits to school districts by the state department of education that has been allowed to lapse would be reinstituted with the addition of an annual self-evaluation by districts. (See Appendix A for summary of short-term and long-term recommendations.)

Long-term recommendations encompass fiscal and education adequacy in that a new funding system is proposed, the Basic Education Guaranteed Funding Program, that links a foundation level grant containing a minimum effort provision with definition of a basic education. In addition the funding proposal contains a modified guaranteed yield provision; school districts who choose to spend above the foundation level would have their expenditures equalized with support diminishing as expenditure increases up to a cap. The remaining recommendations consist mainly of efficiency and accountability proposals. None of the long-term recommendations carries a price tag. In particular, one recommendation requiring the state to the full cost for any new, mandated programs could be quite costly.

The Commission report falls short of defining adequacy and stability in such a way as to relate their recommendations directly to either concept. Here the Commission report is weaker than the League of Women Voters publications where terms are more carefully defined at the outset. Even in its final report, the League has presented no solutions, only options. After gathering citizen input statewide through town meetings and a survey of participants, the League shied away from presenting a reform platform, based on its nonpartisan nature. Already Commission recommendations have been translated into proposed legislation for the 1989 legislative assembly. The next section summarizes this legislation and analyzes the impact of the current safety net amendment on school districts.

Adequacy and Stability in Legislation

Several legislative bills have been introduced into the 1989 session of the state legislature at the request of the Governor's Commission on School Funding Reform. This section of the paper summarizes and relates them to recommendations of the Governor's Commission.

House Joint Resolution 1 (HJR1) represents the only constitutional amendment regarding school finance introduced this legislative session and has three major provisions. The first establishes current tax bases for all school districts. Unlike many states, a tax base in Oregon is not

the assessed valuation of property in a jurisdiction. For local school districts, the tax base represents its local budget, i.e., a dollar figure, the product of the tax rate on local property and assessed valuation of property. The second provision prohibits local school districts from asking voters for additional operating levies in 1989-1990. Here the intent lies in preventing school districts who may receive up to a twelve percent increase in their operating budget with the passage of new tax bases from seeking additional increases for at least one year. The third provision involves a change in constitutional language so that property tax offsets proposed in another bill will be constitutional. Although HJR1 is a constitutional amendment, it sunsets in 1991.

The establishment of current tax bases is excerpted from the recommendations of Governors's Commission, as follows:

> Establish new tax bases for all school districts equal to the greater of:
> 1) existing tax bases,
> 2) existing tax base plus approved operating levy, or
> 3) the safety net levy plus 6 percent for each year in the safety net. (p.7)

House Bill 2131 (HB2131) requires the Office of Education Policy and Planning (OEPP), an executive branch agency, to undertake a study of the feasibility of consolidation and/or reorganization of local school districts and education service districts and to report back to the legislature in the beginning of 1991. In Oregon, education service districts (ESD's) are intermediate level or regional

education agencies that provide services to local school districts that are more efficiently provided on a regional basis, e.g, education for low-incidence handicapped students. HB2131 mandates the participation of the state department of education as well as local and county school districts and education service districts.

The Commission's recommendations directed the OEPP to undertake of study of school district reorganization:

> ...[I]ncluding the development of appropriate criteria and guidelines (i.e., total district enrollment, geographic considerations, ability to meet minimum education program requirements, etc.) to evaluate potential of school districts and/or education service districts. Direct the OEPP to present to each legislative assembly beginning in 1991, recommendations regarding consolidations of both school districts and education service districts. (p.11)

This language has been incorporated in the bill. Participation of the department of education, school districts, and education service districts is not found in Commission recommendations.

House Bill 2132 (HB2132) authorizes the state board of education to define a basic education in administrative rules. It also requires the state to assume primary responsibility for the funding of basic education as defined by the state board of education. In addition to instructing the board to define basic education, the bill lays out the specific curricular areas to be covered and enumerates support services that may be provided. Support services included: guidance and counseling; library and media;

student assessment; personnel development and evaluation; transportation; student health; student leadership programs; operations and maintenance of facilities; administration and supervision. Finally, the bill directs the state board of education to develop a uniform accounting procedure to track basic education expenditures at the local level, requiring school districts to implement the system by August, 1990.

The Governor's Commission recommended basic education be defined to include these subject areas:

> 1) Language arts, emphasizing reading, listening, speaking, and written communication in the English language, and including at the option of the district, instruction in foreign languages.
> 2) Mathematics, emphasizing fundamental numerical concepts, computation, skills, problem solving, spatial concepts, measurement, and statistics.
> 3) Science, emphasizing basic scientific knowledge and principles.
> 4) Economics and social studies, emphasizing the history, geography, cultures, and governments of Oregon, the United States, and the world.
> 5) Health and physical education.
> 6) Music and art programs, emphasizing appreciation of the arts and developing basic skills therein. (pp.8-9,34)

HB2132 added a seventh subject area, career and vocational education. Support services were not addressed in the Commission recommendations.

House Bill 2133 (HB2133) requires the consolidation of elementary districts and high school districts into K-12 structures by 1994. If they have not consolidated by that date, state basic aid would be withheld.

The Commission recommended all school districts provide a K-12 structure by 1995. Currently Oregon has elementary

school districts (K-6 or K-8), high school districts (7-12 or 9-12), and unified school districts (K-12).

House Bill 2134 (HB2134) stipulates that the cost of new or expanded state-mandated educational programs be borne by the state. Included are administrative rules as well as legislation having a fiscal impact on local school districts.

The Commission used similar language, recommending that the state:

> ....[F]ully fund the cost of all mandates which increase local district expenditures and are imposed by state laws or state agency rules adopted after January 1, 1989." (p.11)

House Bill 2137 (HB2137) addresses the school property tax offset program and is operative only if the constitutional amendment (HJR1) for new tax bases is passed by voters in a special election. This bill specifies the distribution of funds in direct proportion to school districts Basic School Support Fund apportionment, requiring that the funds be used to reduce property tax rates. In addition, it provides for the distribution of additional funds to districts with above average tax rates, regardless of wealth, to reduce tax rates, and to districts with above average tax rates and below average per pupil expenditures to supplement operating expenditures. Formulas for distribution are outlined in the bill.

The Commission's final recommendations were more specific:

> Provide $150 million for offset against school property taxes in the 19;89/91 biennium with $72 million appropriated for 1989/90 and $78 million for 1990/91. The offset will provide an estimated 5 percent reduction in school property taxes each year and will be distributed among all school districts in the same proportion as the amount appropriated for basic school support. (p.7)

HB2137 does not contain dollar appropriations.

A second recommendation of the task force directed the state to, "...target distribution [of funds] for high tax rate, low wealth, and low-spending districts." (p.43) The Commission dubbed this program the "Targeted Taxpayer Equity Program," and recommended $30 million be distributed to school districts with, "...low per pupil expenditures and/or high tax rates." (p.8) Formulas spelled out in the Commission recommendations were incorporated unchanged in HB2137. (See Appendix B for formulas.)

House Bill 2138 (HB2138) contains two major provisions, both dealing with approved program costs or basic grant. The first stipulates that the basic grant will be indexed to the Consumer Price Index and adjusted yearly, beginning in 1989. However, as a result of this change, no district will receive less money -- a hold harmless provision. The second provision requires the state to assume full responsibility for the approved costs for educating severely handicapped children, with the definition of approved costs the responsibility of the Oregon Department of Education.

The Commission recommended the state:

> Modify the basic school support formula for 1989/91 to assure that no district receives less state support in either 1989/90 or 1990/91 than in the previous year by increasing each district's prior year's basic appropriation by the CPI (as projected by the State Executive Department) adjusted for student enrollment changes. (p.8)

The state executive department computes the Consumer Price Index for the metropolitan area of Portland, the most populous in the state, and generalizes it to the state as a whole.

The Commission recommendations for funding special education were, as follows:

> Provide, through the Fund for Children with Severe Handicaps, $30 million in additional state funding for educating severely handicapped children with high cost/low incident handicapping conditions. Sixteen million dollars shall be appropriated to fully fund the excess cost of the six regional programs and $14 million shall be distributed on a per student basis to local school districts or education service districts for students who are trainable mentally retarded (TMR) [moderate to profound impairment]. This would increase the state's share of the excess costs for TMR programs from 7 percent to 41 percent. (p.8)

HB2138 did not contain dollar appropriations for funding education of the severely handicapped.

The safety net is a constitutional amendment that allows school districts to fall back upon the amount of property taxes levied in the previous year if voters fail to approve an increased levy. They are contrasted with school districts having a voter approved tax base, i.e., a budget amount, that can grow up to six percent annually without voter approval. The safety net took effect in the 1987-1988 school year.

Prior to this amendment, schools closed until voters approved an operating levy.

Safety net districts have been singled out as examples of the inadequacy and instability of the Oregon school finance system. (Magmer, 1987; League of Women Voters, 1987, 1988) This sections presents an analysis of the relative status of these districts as compared to other Oregon school districts with regard to expenditures, property wealth, and tax rates.

For the 1987/88 school year, 38 of Oregon's 304 school districts fell into the safety net. There exists a popular perception that these are property poor districts, making extraordinary tax efforts, with low per pupil expenditures. The portrait that emerges from analyzing school district and statewide data is somewhat different--there is no single profile or typical safety net district.

Tables two and three present information on attendance, per pupil expenditures, tax rates, and assessed valuation of safety net districts as compared with state averages. As a group, safety net districts spent slightly below the state average per pupil expenditure of $ 3,836, with almost one-third spending more. The average tax rate for safety net districts was $15.02 per $1,000 assessed valuation, slightly above the state average of $14.68. With regard to property wealth, safety net districts were considerably less wealthy than the average, their average of $156,351 per pupil

Table 2

1987-88 SAFETY NET DISTRICTS

District	School Tax Rate		-------1986-87-------		1987-88 State Equal. Grant
	District	K-12**	Allocated Ass. Value Per ADMr	Adjusted Value(Tim) Per ADMr	
Monroe 25J	$9.83	$18.01	$120,505	$121,278	Yes
Sandy 46	7.90	14.14	140,936	142,913	Yes
Oregon City 62	17.84	18.85	147,677	147,738	Yes
Estacada 108	17.11	18.12	153,086	156,161	Yes
Redland 116	12.20	13.21	145,617	146,588	Yes
Canby UH1	5.48	14.14	146,958	146,989	Yes
Mollala UH4	5.23	16.70	157,559	162,482	Yes
Lewis & Clark 5	10.80	12.17	142,831	208,560	Yes
Scappoose 1J	13.00	13.35	123,181	131,079	Yes
St. Helens 502	15.79	16.14	180,695	188,979	Yes
Crook CU	12.54	12.54	152,855	152,855	Yes
Port Orford 2J	6.75	7.86	255,087	282,008	No
Redmond 2J	15.52	15.90	141,405	141,405	Yes
South Umpqua 19	10.54	11.51	97,628	104,494	Yes
Elkton 34	10.20	11.17	234,343	436,196	No
Glendale 77	10.30	11.27	133,043	158,722	Yes
Ash Valley 125	8.49	9.46	194,339	934,684	No
Dayville 16	8.07	13.01	145,593	145,593	Yes
Burns 1	1.75	15.71	121,681	121,681	Yes
Burns UH2	0.68	15.71	142,627	142,627	Yes
Grants Pass 7	12.08	12.08	218,634	218,642	No
Josephine CU	12.32	12.32	169,366	170,844	Yes
Lakeview 7	12.01	13.17	154,237	154,237	No
South Lane 45J	14.74	15.54	137,216	159,439	Yes
Vale UH3	6.12	14.41	132,688	132,688	Yes
Woodburn 103	13.52	14.16	165,107	165,110	Yes
North Santiam 126	7.81	15.50	85,413	85,479	Yes
Stayton UH4J	5.12	12.16	186,648	193,037	Yes
Cascade UH5	7.05	15.82	111,406	111,461	Yes
Gresham UH2	5.20	16.02	142,169	142,188	Yes
Umatilla 6	15.35	16.76	111,001	111,001	Yes
Hermiston 8	13.56	14.97	125,017	125,017	Yes
La Grande 1	14.09	16.18	134,814	134,814	Yes
Imbler 11	15.78	17.87	108,413	108,413	Yes
Enterprise 21	6.91	17.69	177,584	177,584	Yes
The Dalles 12	17.33	18.71	152,291	152,291	Yes
Hillsboro UH3J	9.65	15.35	168,164	168,592	Yes
Dayton 8	16.40	17.33	125,544	125,707	Yes
		******	*******	*******	
Safety Net District Ave.		15.02	152,350	156,351	
State Average		14.68	192,052	196,884	
Percent of State		102.3%	79.3%	79.4%	

Table 3

1987-88 SAFETY NET DISTRICTS

County	District	Grades	1986-87 ADMr	1986-87 Operating Expenditure Per Student
Benton	Monroe 25J	k-8	179.0	$3,507
Clackamas	Sandy 46	1-8	1,460.0	3,226
	Oregon City 62	k-12	6,128.0	4,059
	Estacada 108	k-12	2,109.5	3,814
	Redland 116	k-12	707.0	3,382
	Canby UH1	9-12	1,300.0	3,819
	Mollala UH4	9-12	875.0	4,251
Clatsop	Lewis & Clark 5	k-12	447.0	4,348
Columbia	Scappoose 1J	k-12	1,824.0	3,449
	St. Helens 502	1-12	2,290.0	3,710
Crook	Crook CU	1-12	2,335.0	3,470
Curry	Port Orford 2J	1-12	419.0	4,230
Deschutes	Redmond 2J	1-12	3,424.5	3,599
Douglas	South Umpqua 19	1-12	2,069.0	3,139
	Elkton 34	1-12	206.0	5,088
	Glendale 77	1-12	520.0	3,393
	Ash Valley 125	k-12	26.0	4,598
Grant	Dayville 16	k-12	73.5	6,017
Harney	Burns 1	k-8	521.5	3,821
	Burns UH2	9-12	370.0	4,301
Josephine	Grants Pass 7	k-12	3,720.5	3,544
	Josephine CU	1-12	5,884.0	3,326
Lake	Lakeview 7	k-8	910.4	3,443
Lane	South Lane 45J	1-12	2,794.0	3,711
Malheur	Vale UH3	9-12	275.0	3,963
Marion	Woodburn 103	1-12	2,175.0	3,359
	North Santiam 126	k-6	44.0	3,705
	Stayton UH4J	9-12	515.0	4,569
	Cascade UH5	7-12	893.0	3,682
Multnomah	Gresham UH2	9-12	3,100.0	3,616
Umatilla	Umatilla 6	k-12	862.5	3,662
	Hermiston 8	k-12	3,320.0	3,279
Union	La Grande 1	k-12	2,679.0	3,348
	Imbler 11	k-12	345.0	3,440
Wallowa	Enterprise 21	1-12	510.0	4,522
Wasco	The Dalles 12	k-12	2,075.0	3,905
Washington	Hillsboro UH3J	7-12	5,440.0	4,036
Yamhill	Dayton 8	k-12	652.5	3,691
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Safety Net Districts			63,478.9	$3,660
State			425,889.3	$3,836
Safety Net as Percent of State			14.9%	95.4%

was twenty percent below the state mean of $196,884. However, of the safety net districts five had above average assessed valuation per pupil.

If adequacy is defined in a straightforward manner to measure safety net expenditures against the state average, the majority of safety net districts spend below it; however, this does give an entirely accurate picture as two-thirds of these districts spend at 90% or more of the state average, i.e., those who fall below the mean expenditure fall only slightly below it. If stability is also defined simply as predictability of revenues, these districts as a group are more heavily reliant on timber revenues than the state's school districts as a whole. (Safety Net - The First Year, 1988) Tax revenues from timber harvests dropped precipitously in the early 1980's as the national recession affected construction and demand for lumber. Twenty-three of 38 safety net districts rely on timber tax revenues in addition to the property tax for local revenue sources. This reliance on timber may be the strongest common characteristic they share.

Synthesis

After reviewing definitions of adequacy and stability in education finance and Oregon school finance reform reports, several observations can be proffered. While in the literature of education finance literature fiscal and

education defined independently, the two concepts are at times within the same work be referred to as adequacy, causing the reader confusion. Clear, well-developed definitions of adequacy are largely missing in reform reports with the exception of League reports that propose simplistic definitions. With regard to operationalization of definitions in order to measure fiscal and education adequacy, the literature of education finance more frequently links operationalization, or measurement, to a conceptual definition. Oregon school finance reform literature reviewed here manifests serious weaknesses in this area. The reports contain no visible connections between solutions or recommendations and definitions of adequacy.

While definitions of adequacy in reform efforts are generally oversimplified, some definitions in the literature of education finance have a tendency to be overly broad, attempting to collect several major policy issues under one umbrella. For example, incorporation of concepts such as equity and efficiency, complex concepts themselves, within a definition of adequacy stretches the limits of the term and creates ambiguity for policymakers. While there is no doubt that the concepts of adequacy, equity, and efficiency are intertwined in policy discussion, equity and efficiency are not subheadings under adequacy. They remain distinct concepts.

Stability, to a greater extent than adequacy, remains a concept in search of meaning. In Oregon reform reports a clear definition is lacking as is true of the literature of education finance. Stability is generally addressed within the context of Oregon school funding reform as predictability and uniformity rather than a macroeconomic issue. Reform reports manifest an ignorance of the dynamics of stabilization policy; that is, state and local level stability is tempered by the realities of the national and international economies. Where operationalized in reform reports, stability refers to variations in school district revenues from year to year. School districts experiencing the greatest yearly fluctuations are those receiving tax revenues from timber harvested within their jurisdiction in addition to property taxes, and state and local assistance. To provide less variation over time, timber tax revenue might be pooled at the state level to be redistributed through the funding formula. Local school districts affected are hesitant, however, to relinquish control of this revenue source.

As mentioned previously, an adequate education is cost-driven, i.e., in the policy arena educational goals must be priced. Yet definitions of an adequate education in education finance literature range from "minimum" to "generous" and "optimal." Realistically the interest in provision of an adequate education with sufficient resources

to deliver it appears to be a step forward from provision of a minimum education with funding to match. However, an adequate education is a step back from the ideals of many educators who envision the goal of education to enable each to student to reach his or her full potential. Such an optimal level of education provides for the core curriculum, is responsive to individual needs of students, and involves taking risks with innovative programs. Figure One represents an effort to capture such this hierarchy of education with appropriate funding mechanisms.

Policymakers need to understand the relationship between achievement of educational goals and the design of grants. (Adams and Crampton, 1983; Crampton, 1987) At each level, educational goals must be costed out so that the size of the grant is appropriate. For a minimum education level, a foundation grant program with a minimum effort provision can provide the funds necessary for a bare bones educations.
An adequate education combines basic and categorical grants. The foundation grant remains to fund the core curriculum while categorical grants focus dollars, attention, and accountability on provision of educational programs that may not have been offered previously by all school districts. An optimal level of education, designed to allow students to reach their full potential adds a reward for effort provision to funding to stimulate schools to spend on innovative programs tailored to particular needs of their students.

Figure 1

Levels of Education and Funding

I. Minimum Educational Program

Educational Goals:	Literacy Computational Skills
Funding Mechanism:	Foundation plan with minimum effort provision

II. Adequate Educational Program

Educational Goals:	Basic skills to function successfully in present society; Core curriculum: language arts, mathematics, science, economics and social studies, health and physical education; music and art, career and vocational education
Funding Mechanism:	Foundation plan with minimum effort provision; Categorical grants, matching and nonmatching

III. Optimal Educational Program

Educational Goals:	Education to enable each student to reach full potential; future-oriented Curriculum centered around communication, critical thinking skills, humanities, technology
Funding Mechanism:	Foundation plan with minimum effort provision; Reward for effort provision; Categorical grants, matching and nonmatching; Project "Innovation" grants

Also nonrenewable, project or innovation grants would provide seed money to pilot programs for one to two years after which the school district would be expected to assume the cost.

Conclusions and Policy Implications

This paper has examined the concepts of adequacy and stability as found in education finance and Oregon reform efforts and legislation. Particular attention was given to an analysis of the adequacy and stability of funding for safety net districts. Over the past two years, Oregon again entered the school finance reform loop with the appointment of the Governor's Commission on School Funding Reform and its report of recommendations, Small Steps to a Distant Goal. The concepts of adequacy and stability play a central role in this report, but are largely undefined, making operationalization and measurement difficult. That recommendations for change are not tied to particular shortcomings of the present school funding system does not bode well for meaningful policy debate as recommendations are translated into proposed legislation.

Another major obstacle to school finance reform in Oregon lies in the absence of a comprehensive data base housed within a single state agency, such as the department of education. At present, pieces of school finance data, such as school revenues and expenditures, demographic information, and tax information reside in several agencies. Worse, some

data pieces are not collected and stored systematically anywhere. Where data bases exist, their quality is inconsistent, and they are usually incompatible, e.g., microcomputer vs. mainframe data bases. Over the past twenty years Oregon policymakers and researchers have recreated the wheel with each reform effort in terms of data gathering and analysis, a costly and inefficient method. The Oregon Department of Education, the logical site for such a data base, has not been empowered through appropriations of funds to enlarge its operation to create and maintain appropriate data bases, complete with simulation capabilities, that could be shared with executive and legislative agencies as well as other policymakers and researchers. Until this task is accomplished, the "small steps" advocated by the Governor's Commission on school funding reform will be taken in the dark.

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APPENDIX A

The Report of the Governor's Commission on School Funding Reform: Summary

The Report of the Governor's Commission on School Funding Reform

SUMMARY

- **School Funding Recommendations — Short-Term (1989/91)**
  - Refer to the people during the 1989 legislative session, a measure to:
    - Provide tax bases for all school districts equal to:
      (1) current tax base,
      (2) current tax base, plus approved operating levy, or
      (3) safety net levy plus 6 percent for each year in the safety net.
    - Prohibit school levies for operating purposes during 1989-91.
    - Provide property tax offsets for all school districts in 1989/90 and 1990/91 to be distributed in the same proportion as the Basic School Support Fund. *($150M)*
  - Distribute BASIC in 1989/91 in a manner that provides all districts with their prior year allocation increased by the CPI adjusted for student enrollment changes. *($105.7M)*
  - Provide property tax offset and/or per student grants for high tax rate; low spending districts. *($30M)*
  - Increase state responsibility for high cost/low incident handicapped students. *($30M)*
  - Increase state's role in assessment/evaluation of educational programs: *($2.5M)*
    - Establish statewide test for grades 3, 5, 8, and 11.
    - Establish six-year cycle for standardization visits and require annual self evaluation by districts.

  Total Short-Term Funding Package: *($318.2M)*

- **School Funding Recommendations — Long-Term (1991-beyond)**
  - Develop a Basic Education Guaranteed Funding Program that:
    - Requires an expenditure level sufficient to provide a basic education program funded by state resources plus a required local effort.
    - Requires a minimum local tax effort.
    - Provides state support for equalizing expenditures in excess of the cost of basic education with such support diminishing as costs are increased and capped at a specified amount.
  - Increase state support and further reduce property taxes for elementary and secondary schools.

- **Other Legislative Recommendations**
  - Define basic education.
  - Fund all state mandates enacted after January 1, 1989.
  - Require all school districts to provide a K-12 structure by 1995.
  - Instruct OEPP to develop criteria for school district and ESD reorganization and to present recommendations at each legislative session.
  - Provide support to require counties to bring property assessments into cycle.

- **Recommendations to the Department of Education**
  - Develop uniform definition of staffing categories and procedures for accounting for staffing costs.
  - Investigate uses of electronic information services to improve school-parent communications, intra-school communications, teaching technologies, and data management.
  - Develop programs to encourage greater use of community and private sector resources, including expansion of school/business partnerships.
  - Evaluate potential cost savings and efficiencies in providing alternatives to the K-12 school schedule (i.e., 2 + 2, in-school GED, school-industry partnerships).

- **Recommendations to Local School Districts**
  - Adopt comprehensive long-range (three to five years) plans to be updated annually.
  - Report to the public annually, current and historical (at least ten years) data on class size, per pupil expenditures, salaries, etc.
  - Review on a regular basis (at least every three years), the potential cost savings through contracting out for selected services.
  - Review on a regular basis (at least every three years), the cost effectiveness and quality of all professional services (legal, auditing, architectural) provided the district.
  - Develop programs for expanding the use of school buildings for community programs/services during the regular school year, for summer enrichment programs, and regular summer school.
  - Provide a basic education program as defined by legislation and administrative rules.

Appendix B

Targeted Taxpayer Equity Program

GOVERNOR'S COMMISSION
ON SCHOOL FUNDING REFORM

1989/91 Targeted Taxpayer Equity Program

The objective of the Targeted Relief Program is to decrease the range in school district tax rates and the range in school district per student expenditure by providing property tax offsets and/or per student grants. The formula developed for the Targeted Relief Program allows adjustments in the targeted tax rates and the per student expenditure used to determine how the tax offsets and grants are distributed.

Property Tax Offset

Using 1987/88 data, the proposed formula assures that no district spending at or below the state per student average will have a tax rate in excess of $16/1,000. Districts with high tax rates spending above the state per student average may or may not receive a property tax reduction depending on the spending, tax rate, and wealth relationship of the district.

Per Student Grant

Districts with a tax rate in excess of $16/1000 and spending below $3,600 (90 percent of the state average) will receive a per student grant equal to one-half the difference between their per student expenditure and $3,600. Districts with tax rates below $16/1,000 spending below $3,600 per student may or may not receive a per student grant, depending on the spending, tax rate, and wealth relationship of the district.

Targeted Grant Formula for 1987/88 Data

GRANT/ADM = TCV/ADM (District Rate - $16/1,000) - (COE/ADM - $4,011)
+ .5 ($3,600 - COE/ADM)

GRANT/ADM - Targated GRANT/ADM paid to district as property tax offset and/or direct dollar grant

TCV/ADM - True Cash Value of district per student

(District Rate - $16/1,000) - District tax rate in excess of $16/1,000

(COE/ADM - $4,011) - District per student expenditure - minus state average per student expenditure

.5 ($3,600 - COE/ADM) - One-half of the difference between $3,600 (90% of state average) and the district per student expenditure.

Examples

Pleasant Hill: Tax Rate (26.44); Per Student Expenditure ($4,736)

GRANT/ADM = $104,804 (26.44-16.00) - ($4,736-4,011) + .5 ($3,600-4,736)
= $104,804 (10.44) - (725) + (0)
= $1,094 - 725
= $369

Total Grant = $437,594 (offset)
Tax Rate Reduced to 22.92

Junction City: Tax Rate (17.51); Spending ($3,910)

GRANT/ADM = $132,035 (17.51-16.00) - ($3,910-4,011) + .5 ($3,600-3,910)
= $132,035 (1.51) - (0) + (0)
= $199

Total Grant = $346,239 (offset)
Tax Rate Reduced to 16.00

Gladstone: Tax Rate (16.30); Spending ($3,587)
Total Grant $84,213
Tax Rate Reduced to 16.00
Spending Increased to $3,593

1987/88 Summary

60 districts received property tax reductions
16 districts received direct per student grants

Total Cost of Program = $12,600,000